

# Consolidated Retirement Fund for Local Government

## Summary of the Actuarial Valuation as at 30 June 2016

### 1. Introduction

This summary reflects the results of the actuarial valuation of the Consolidated Retirement Fund for Local Government (the Fund) carried out as at 30 June 2016.

The objectives of the valuation are to:

- (a) determine the financial condition of the Pensions Account and the Member Share Account by comparing the value of the assets to the value of the liabilities for the respective accounts;
- (b) review the investment return allocations for active and deferred members;
- (c) determine the balances of the respective Fund Accounts;
- (d) review the allocation of contributions towards retirement benefits and
- (e) recommend the level of pension increases for pensioners.

### 2. Benefits

The Fund provides defined contribution benefits to its active members and deferred members. The benefit payable on exit of a member is the Member's Share. This is broadly equal to the contributions (after costs) with the addition of investment returns.

Members have different options with respect to insured death and disability benefits (payable in addition to the Member's Share), with corresponding differences in the contributions allocated towards Members' Shares.

The Fund pays monthly pensions to pensioners with target pension increases of 100% of price inflation.

### 3. Membership

At the valuation date there were 41 283 active and deferred members and 655 pensioners, including 166 disability pensioners.

#### **4. Assets**

The total value of the net assets of the Fund was R20.119 billion at the valuation date. After deducting the Risk Reserve Account of R25.8 million and the Data Reserve Account of R18.9 million, the combined assets of the Member Share Account, Preservation Pension Account and Pensions Account amount to R20.075 billion as at 30 June 2016.

#### **5. Growth Portfolio**

Investment returns are awarded on Members' Shares based on the actual net investment returns earned on the Growth Portfolio. An effective investment return of 8.1% per annum was awarded for the Growth Portfolio for the year ending 30 June 2016.

#### **6. Protection Portfolio**

The Fund provides the Protection Portfolio for members aged 50 years and older. The aim of the Protection Portfolio is to provide protection against market volatility particularly for members closer to retirement age. The investment return for members who elected the Protection Portfolio amounted to 7.1% per annum for the year ending 30 June 2016.

#### **7. Moderate Portfolio**

Members over age 50 have the option of investing in the Moderate Portfolio. Members over age 50 years may invest either 50% or 100% of their Member's Share in the portfolio. The assets of the Moderate Portfolio are limited to between 18% and 56% in equity investments and are managed on a "life-stage" basis depending on the member's age. The investment return for members who elected the Moderate Portfolio amounted to 6.9% per annum for the year ending 30 June 2016.

#### **8. Pensioner Portfolio**

The assets of the Pensioner Portfolio are invested to broadly match the term and nature of the pensioner liabilities. The return on the Pensioner Portfolio was 7.4% per annum for the year ending 30 June 2016.

#### **9. Pension Increase and Bonus**

A pension increase of 5.0% was granted to pensioners effective 1 March 2016 and 6.3% effective 1 March 2017.

A 100% of monthly pension discretionary bonus was awarded in December 2015 and in December 2016.

## 10. Fund Accounts

The financial condition of the Fund Accounts at 30 June 2016 was as follows:

<b>Member Share Account</b>	<b>R 000</b>
Assets of the Member Share Account	19 356 440
Members' Shares	(19 267 301)
Processing Reserve Account	89 139
<i>Funding level of the Member Share Account</i>	<i>100.5%</i>

<b>Preservation Pension Account</b>	<b>R 000</b>
Assets of the Preservation Pension Account	65 194
Members' Shares	(65 194)
Surplus	0
<i>Funding level of the Preservation Pension Account</i>	<i>100.0%</i>

<b>Pensions Account</b>	<b>R 000</b>
Market value of assets	652 974
Pensioner liability	(553 194)
Surplus	99 780
<i>Funding level of the Pensions Account</i>	<i>118.0%</i>

## 11. Composition of Contribution Rates

<b>Contributions as a percentage of salary</b>	<b>Total</b>	<b>Category</b>						
		<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>
Local Authority contribution <sup>1</sup>	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Less:								
Risk costs and expenses <sup>2</sup>	(5.00)	(4.06)	(6.06)	(3.06)	(1.06)	(3.06)	(3.94)	(1.66)
Net Local Auth. contribution	13.00	13.94	11.94	14.94	16.94	14.94	14.06	16.34
Plus: Member contribution <sup>1</sup>	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
<b>Available for retirement</b>	<b>22.00</b>	<b>22.94</b>	<b>20.94</b>	<b>23.94</b>	<b>25.94</b>	<b>23.94</b>	<b>23.06</b>	<b>25.34</b>

1. For Contract Employees and Councillors, the Participating Employer contribution rate is 19.5% of salary. The member contribution rate for these members is 7.5% of salary.
2. Expenses are funded based on a sliding scale depending on each member's salary. The expense allowance represents an average of the overall expense funding provision, expressed as a percentage of salary.



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## 12. Financial Condition

The Fund is in a sound financial condition at the valuation date.

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Fellow of the Actuarial Society of South Africa

in my capacity as Actuary to the Fund and as an employee of MMI Group Limited.

The Actuarial Society of South Africa is the primary regulator in my professional capacity.

23 January 2017